

Why Is Commercial Insurance Forbidden?

What is the Islamic ruling concerning taking out commercial insurance policies such as life, car, health, pets, breakdown cover for vehicles/appliances and their like?

Ribaa (Interest/Usury):

All kinds of commercial insurance are clearly and undoubtedly ribaa. Insurance is the sale of money for money, of a greater or lesser amount, with a delay in one of the payments. It involves *riba al-fadl* (interest-based transaction) and *riba al-nas'* (interest to be charged if payment is delayed beyond the due date), because the insurance companies take people's money and promise to pay them more or less money when a specific accident against which insurance has been taken out happens. This is riba, and riba is forbidden in the Qur'aan, in many aayaat.

Gambling:

All kinds of commercial insurance are based on nothing but gambling which is haraam according to the Qur'aan:

"O you who believe! Intoxicants (all kinds of alcoholic drinks), and gambling, and Al-Ansaab (stone altars for sacrifice to idols etc.) and Al-Azlaam (arrows for seeking luck or decision) are an abomination of Shaytaan's (Satan's) handiwork. So avoid (strictly all) that (abomination) in order that you may be successful" [Al-Maa'idah 5:90]

All kinds of insurance are kinds of playing with chances. They tell you, Pay this much money, then if this happens to you we will give you this much. This is pure gambling. Insisting on differentiating between insurance and gambling is pure stubbornness that is unacceptable to any sound mind. The insurance companies themselves admit that insurance is gambling.

Uncertainty:

All kinds of insurance are forms of uncertainty, and transactions which involve uncertainty are forbidden according to many saheeh ahaadeeth, such as the hadeeth narrated by Abu Hurayrah (Radiya 'Llahu 'anhu):

"The Messenger of Allaah (Sallallahu 'alaihi wa sallam) forbade transactions determined by throwing a stone and transactions which involved some uncertainty." [Saheeh Muslim]¹

All forms of commercial insurance are based on uncertainty of the most extreme kind. Insurance companies and those who sell insurance refuse to insure cases except where there is clear uncertainty in whether or not the condition being insured against will happen or not. In other words, the condition being insured

¹ **Translator's Note:** "Transactions determined by throwing a stone" – this was a type of transaction that was prevalent in the markets of pre-Islamic Arabia, whereby a stone was thrown by either the buyer or the seller, and whatever it touched, its transaction became binding. "Transactions which involved some uncertainty" – is a transaction in which there is no guarantee that the seller can deliver the goods for which he receives payment. (Footnotes from the translation of *Saheeh Muslim*.)

against must have a possibility of happening or not happening. Moreover, this transaction involves something uncertain, which is when an accident will happen and the extent of the damage caused. Hence insurance combines three kinds of extreme uncertainty.

Consuming Of People's Wealth Unjustly:

All kinds of commercial insurance consume people's wealth unjustly, which is haraam according to the Qur'aan:

"O you who believe! Eat not up your property among yourselves unjustly" [An-Nisaa' (4):29]

All forms of commercial insurance are fraudulent transactions aimed at consuming people's wealth unjustly. The precise statistics calculated by one of the German experts state that what people get back of what has been taken from them is no more than 2.9%.

Insurance is an immense loss for the nation, and there is no evidence or excuse to be found in the actions of the kuffaar who have lost the ties of kinship and friendship and are therefore forced to resort to insurance, which they hate as much as they hate death.

These are only some of the violations of sharee'ah which insurance is essentially based upon. There are numerous other violations which can be mentioned but there is no need to do so, because just one of the violations which we have mentioned above is sufficient to make insurance prohibited in the sharee'ah of Allaah.

It is a shame that some people are deceived by the ways in which the insurance companies make insurance attractive and confuse them by calling it "co-operative" ² or "mutual support" or "Islamic", or other names which do not change the unjust nature of insurance in the slightest.

The insurance companies' claim that the 'ulamaa' have issued fatwaas stating that so-called "co-operative insurance" is halaal, is a lie. The reason for this confusion is that some insurance companies approached the 'ulamaa' with a deceitful set-up which has nothing to do with any kind of insurance, but they said that it was a kind of insurance which they called "co-operative insurance" (to make it sound attractive and to confuse the people). They said that it was purely in the nature of a donation, and that it was a kind of the co-operation enjoined by Allaah in the aayah: "**Help you one another in Al-Birr and At-Taqwa** (virtue, righteousness and piety)..." [al-Maa'idah 5:2], and that the aim was to co-operate in alleviating the overwhelming disasters that may befall people. But in fact what they called co-operative insurance was just like any other kind of insurance; the only difference was in the way in which it was set up, not in its

² Many of the 'Ulamaa such as the Council of Senior Scholars in Saudi, the Standing Committee for Issuing Fatwas and others ruled that the true type of Cooperative insurance was halaal. In such a scheme a number of people who are exposed to the same type of danger get together and each of them pays a specific contribution. These contributions are for the purpose of paying compensation to anyone who becomes entitled to it as the result of some harm that befell him. If the sum of contributions is greater than the sum paid out in compensation, the members of the scheme are entitled to take back the difference. If there is a shortfall, then the members are asked to make additional contributions to cover the deficit, or else the compensation paid is reduced in accordance with that deficit.

essential nature. It was far from being any kind of simple donation or co-operation in righteousness and piety; in fact it is a kind of co-operation in sin and transgression. It was not aimed at helping to relieve the distress of calamities, but at depriving people of their wealth by unjust means, which is absolutely haraam, as are other kinds of insurance. Hence what they proposed to the 'ulamaa' is not even insurance at all.

With regard to the claim made by some, that part of the premium (money paid to the insurer) is returned, this does not change anything and does not free insurance from the taint of ribaa, gambling, transactions based on uncertainty, unjust consumption of people's wealth and going against the principle of trusting in Allaah (*tawakkul*), and other kinds of haraam actions. Insurance is deceit and confusion. Anyone who wishes to learn more should refer to the essay *al-Ta'meen wa Ahkaamuhu* (Insurance and its rulings).

We call on every Muslim who has pride in his religion and whose hopes are focused on Allaah and the Last Day to fear Allaah and to avoid all kinds of insurance, no matter how attractive their proponents make them, for they are undoubtedly forbidden. In this manner he will protect his religion and his wealth, and he will be blessed with security from the Owner of security, may He be exalted.³

Important Note: If a person is forced or required by the state to take out insurance on his driver's licence or car, there is no sin on him if he takes out insurance in that case, but he should limit himself to that which will ward off harm from him; he does not have the right to take out comprehensive insurance when there is third party only insurance available, because one of the basic principles of sharee'ah is that things are permitted only to the extent that is necessary.

May Allaah help me and you to have insight into matters of religion and to do that which is pleasing to the Lord of the Worlds – Aameen.

³ See: Khalaasah fi Hukm al-Ta'meen by Shaykh Dr. Sulaymaan ibn Ibraaheem al-Thaniyaan Member of faculty, Sharee'ah College, al-Qaseem